

**RICK SCOTT**
GOVERNOR

September 21, 2011

The Honorable Teresa Jacobs
Mayor, Orange County
201 South Rosalind Avenue, 5th Floor
Orlando, Florida 32801

Dear Mayor Jacobs:

As Florida's Governor and Chief Executive Officer, I expect Floridians to hold me accountable for the efficient and appropriate use of taxpayer dollars, for operating state government with transparency, and for upholding the highest ethical standards in administering publicly funded programs and services. I expect nothing less of the public officials charged with overseeing Florida's twenty-four Regional Workforce Boards, which collectively receive more than \$300 million in federal funding annually to provide job placement and training services to Florida's employers and job seekers. Accordingly, I am taking immediate steps designed to correct deficiencies in the operation and management of your local workforce development board, Workforce Central Florida (WCF). In recent years, the leadership of WCF has engaged in a series of activities that require this unprecedented, but necessary, action. Ongoing fiscal and compliance deficiencies have caused continuing concern about WCF's internal controls and its management's ability to ensure compliance with applicable laws, regulations, and grant requirements. Attachment A to this letter provides background on the fiscal and compliance issues. As noted in Attachment A, since 2006, nearly \$5.3 million in reviewed expenditures and additional amounts of expenditures currently pending review have been found not to be in compliance with federal fiscal requirements.

This letter is written to you in your role as chair of the Central Florida Area Workforce Investment Consortium (Consortium) which is responsible for appointing board members. Pursuant to the interlocal agreement between Lake, Orange, Osceola, Seminole, and Sumter Counties, the five county Consortium is the local recipient of federal workforce grants, and WCF has been designated by the Consortium as its administrative entity and fiscal agent. For fiscal year 2011-12, WCF has been allocated more than \$30 million by Workforce Florida, Inc. (WFI), the statewide workforce strategy and policy setting board. My administration has zero tolerance for the misuse of taxpayer dollars and under federal law, the five counties represented in the Consortium are liable for reimbursement of WCF's misuse of any federal workforce grant funds.

THE CAPITOL

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As Governor, I have the authority to decertify local boards, direct a reorganization of local boards, or take additional action which I determine to be necessary in order to secure compliance. Pursuant to this authority, I am placing WCF, your area's local board, on a two week probationary period. During this probationary period, the immediate actions specified in Attachment B must be completed or a decertification plan will be initiated. I fully expect that these actions will be carried out with minimal disruption to the employers and job seekers who depend on WCF for services. Additionally, I have directed the Agency for Workforce Innovation (AWI), the administrative entity for Florida's workforce system, to designate WCF as a "high-risk" grantee as described in 29 CFR §97.12. By copy of this letter, the chair of the WCF board is notified of the high-risk designation.

As we better align Florida's workforce and economic development efforts through the new Department of Economic Opportunity, accountability and transparency must be top priorities for the workforce professionals and volunteer board members charged with supporting Florida's employers and getting people back to work during this critical time in our economic recovery.

Sincerely,



Rick Scott
Governor

cc: Jennifer Hill, Lake County Commission Chair
Brandon Arrington, Osceola County Commission Chair
Brenda Carey, Seminole County Commission Chair
Don Burgess, Sumter County Commission Chair
Lawrence Haber, Chairman, Workforce Central Florida
Gray Swoope, President, Enterprise Florida, Inc.
Chris Hart, President, Workforce Florida, Inc.
Doug Darling, Executive Director, Department of Economic Opportunity
Cynthia Lorenzo, Executive Director, Agency for Workforce Innovation

Attachment A

Year	Amount in Question	Description
2006	\$3,483,664.15	In 2006, WCF entered into a qui tam settlement agreement with AWI, the USDOL, and other parties, and agreed to repay \$3,483,664.15 in federal funds to resolve claims associated with the purchase and renovation of office space. The settlement agreement provides that WCF shall only charge applicable federal grants for its allowable occupancy costs for the subject property.
2009	\$739,605	In 2009, WCF spent \$739,605 in settlement of lawsuits and legal fees resulting from the termination of the property lease that was the subject of the above 2006 settlement. Although WCF has challenged the determination, these costs have been determined unallowable by AWI and USDOL.
2009 and 2010	\$1,012,305.46	In separate Management Decision Letters issued by AWI's Office of Inspector General (OIG) related to the 2009 and 2010 Single Audit reports for WCF, a total of \$1,012,305.46 was identified as expenditures related to building renovations which lacked prior approval.
February 2011	\$38,875.60	In February 2011, WCF purchased 20 vehicles without prior approval from AWI as required by OMB Circular A-122, Attachment B, §15. WCF subsequently sold and is currently leasing the vehicles. The fact that WCF failed to obtain prior approval is undisputed. An OIG investigation was conducted and a report released in August 2011 on the acquisition, use and practices involving motor vehicles at WCF. The report found that WCF's existing fleet of vehicles is not being fully utilized and that WCF's purchasing and leasing of additional vehicles was not necessary and reasonable and not compliant with federal and state requirements. Although the investigation concluded the leased vehicles increased the costs to the federal grants by \$38,875.60 and that

		repayment should be made from non-federal funds, the final report has not been issued.
Total	\$5,274,450.21	

Currently Under Review

Year	Amount in Question	Description
March 2011	To be Determined	<p>In March 2011, during the pendency of the OIG investigation into the acquisition, use and practices involving motor vehicles, and based on concerns of continued instances of lack of prior approval, WFI requested that AWI review all non-payroll disbursements of WCF over \$5,000 prior to payment being made. In April 2011, AWI expanded its requirement for Agency review of all non-payroll disbursements to include proposed non-payroll purchases over \$5,000 as well. As a result of its continuing review, AWI has identified concerns with the following:</p> <ul style="list-style-type: none"> o Expenditures which appear not to be in compliance with WCF's approved cost allocation plan and with federal cost principles. o Apparent lack of sufficient policies and procedures and inadequate internal controls with regard to contract administration, procurement, and subrecipient monitoring.

Attachment A

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Year	Amount in Question	Description
April 2011	To be Determined	<p>In April 2011, WCF kicked off an outreach campaign known as the "Cape-A-Bility Challenge" designed to increase public awareness of the services of WCF. In response to concerns about the reasonableness and prudence of the campaign, the AWI OIG conducted an investigation of the expenditures to document and determine the allowability of the</p>

		campaign. The report issued in June 2011 found, among other things, that components of the campaign resulted in wasteful spending, the methods to convey the program message were not received well, and total expenditures for public outreach purposes also were brought into question.
June 2011	To be Determined	<p>In June 2011, the annual onsite financial monitoring was conducted by AWI's contracted monitors. WCF has submitted its proposed corrective actions, which includes responses in lieu of corrective action. The following were the findings or observations in the final report:</p> <ul style="list-style-type: none"> o Lack of Personnel Activity Reports (PARs), which meet the requirements of OMB Circular A-122. o Lack of adequate documentation to support the benefit of expenditures to the appropriate grants. o Gift cards were provided to AWI state merit staff, in conflict with restrictions on additional compensation being given to AWI state merit staff. o Non-compliance with WCF's approved cost allocation plan. The monitors found that cost pools were not allocating costs to all benefitting grants. o Lack of prior approval from AWI for capital expenditures associated with leasehold improvements. o Failure to document conflicts of interest in the procurement process. The monitors found that WCF does not have policies or procedures which include the consistent use of conflict of interest forms or other means to confirm whether conflicts of interest exist. o Failure to identify subrecipient relationships. The monitors found that WCF did not perform vendor vs. subrecipient determinations. o Lack of contract administration policies and procedures. The monitors found that WCF lacked documentation to demonstrate

		<p>that verification was performed to ensure vendors are not on the debarment / suspended lists and the Excluded Party List, and did not include required contract provisions on some contracts.</p> <ul style="list-style-type: none"> o Lack of policies and procedures related to: <ul style="list-style-type: none"> • Lease vs. purchase decisions • Managing prepaid items, such as gift cards, gas cards, etc. • Confirming membership dues are not expended on unallowable lobbying activities. o One staff member is responsible for all One Stop Management Information System (OSMIS) reporting and reconciliation, which could result in undetected errors or delays in processing.
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Attachment B

Immediate Actions

In order to avoid decertification of the local workforce development board, the following actions must be completed:

- ✓ Immediately relieve the following senior executive staff of their duties:
 - ❖ the president and CEO,
 - ❖ the vice president and chief financial officer,
 - ❖ vice president of public affairs, and
 - ❖ vice president of communications.
- ✓ Within two weeks, discharge the above identified senior staff. The discharges must not include the payment of severance beyond the reasonable payment of unused vacation and sick leave.
- ✓ It is recommended that the chief operating officer be retained for continuity purposes.
- ✓ Within two weeks, remove the current WCF board of directors and reappoint a new board consistent with Pub. L. No. 105-220, Title I, s. 117(b) and section 445.007(1), Florida Statutes.
- ✓ You will be contacted concerning the appointment of an interim president and CEO, who will serve until the consortium has sufficient time to seek a permanent replacement.

Designation as High-Risk Subgrantee

In addition to the immediate actions which must be taken to avoid decertification, the Agency for Workforce Innovation, in consultation with WFI, has identified the issues listed in Attachment A, which collectively reveal that WCF's management system does not meet the management standards set forth in 29 CFR §97.20 and that the conditions for designation as a "high-risk" grantee as described in 29 CFR §97.12(a) exist. Therefore, the Agency for Workforce Innovation is designating WCF to be a high-risk grantee in accordance with those provisions.

As a subrecipient of federal funds, WCF is subject to the requirements of Office of Management and Budget (OMB) Circulars A-110, A-122 and A-133, which describe administrative requirements, applicable cost principles, and audit and compliance requirements, respectively, that must be followed as a condition of receiving those funds. In addition, WCF is subject to policies of WFI, the Master Cooperative Agreement with AWI, the Notice of Funding Availability (NFA) issued for each grant,

the applicable federal regulations, and the federal or state grant requirements applicable to each grant or program.

In accordance with 29 CFR §97.12, AWI is imposing the high-risk special conditions and restrictions described below. If the consortium completes the immediate actions identified above, and WCF is not de-certified, the newly constituted board of directors for WCF shall engage its new Finance or Executive Committee to provide direction and oversight of all conditions and restrictions imposed. In addition, we strongly recommend that the consortium assume a more direct oversight role, to include, at a minimum appointment of one of its members to represent the consortium on the WCF board.

Special Conditions and Restrictions

Due Date	Action
Ongoing	WCF shall submit all non-payroll disbursements and pre-purchase requests over \$5,000 to AWI for review, as was previously required during the pendency of the OIG investigations. Weekly meetings/teleconferences shall be held between WCF and AWI to allow for discussion and information sharing regarding disbursement and procurement requests.
Ongoing	WCF shall continue to work with AWI to resolve monitoring findings from the 2010-11 Financial Monitoring Report issued by KPMG. WCF provided its Preventive / Corrective Action Plan (PCAP) response on August 29, 2011. Any additional requests for information or supporting documentation shall be provided promptly by WCF to support AWI's determination of appropriate resolution of identified issues.
Weekly	WCF shall provide to AWI a copy of its cash request worksheet including detailed supporting documentation of planned disbursements by grant two days prior to the weekly cash request deadline.
By the 23 rd of the Month	<p>Beginning on October 23, 2011 and each month thereafter, WCF shall submit the following fiscal records for the prior month:</p> <ul style="list-style-type: none"> • An electronic copy (Excel) of its detailed general ledger(s). • An electronic copy (Excel) of its check register(s). • Copy of the completed, monthly OSMIS reconciliation. • Spreadsheet / report showing the statistics used to allocate / split costs recorded during the previous month. This should include the supporting documentation used to calculate or develop each allocation factor. <p>AWI will review and may request additional information regarding expenditures or other ledger activity.</p>

	<p>The general ledger detail shall include the following data elements, at a minimum, which are the same elements as requested as part of the 2010-11 Financial Monitoring:</p> <ul style="list-style-type: none"> • Fund Code • Account Number • Account Title • Transaction Date • Vendor ID/Payee Name • Check Number • Voucher Number • Purchase Order Number • Session ID • Document Number/Other Reference Number - To access supporting documentation for the transaction • Document Description Field • Amount
9/20/11	<p>For the period of January 1, 2011 through August 31, 2011, WCF shall submit an electronic copy (Excel) of its detailed general ledger(s) for all activities (those funded with AWI pass-through dollars and those funded with unrestricted sources) and check register(s) for all bank accounts to AWI for review. The detailed general ledger for July 1, 2010 through December 31, 2010 was provided by WCF as part of the 2010-11 financial monitoring activities. AWI will review and may request additional information regarding expenditures or other ledger activity.</p>

Attachment B
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Due Date	Action
9/20/11	<p>Provide documentation supporting the amount, date of payment, and source of funds for "Cape Ability Challenge" costs that were paid from "unrestricted sources". The documentation should include:</p> <ul style="list-style-type: none"> • Copy of the Invoice

	<ul style="list-style-type: none"> • Detailed General Ledger Entry • Check Register • Cancelled Check
10/15/11	WCF shall provide a detailed listing of all property and equipment purchased during fiscal years 2009-2010 and 2010-2011. The list shall include a breakdown of those items for which prior approval was received and an explanation of the other items as to why prior approval was not requested or obtained.
10/15/11	<p>WCF shall provide a listing, in electronic format (Excel), of all multi-party agreements in effect for fiscal year 2011-12 that includes the following information:</p> <ul style="list-style-type: none"> • Vendor Name • Nature of Service or Goods • Dates of Service (i.e., contract period) • Contract Amount • Vendor or Subrecipient Determination • Grant / Funding Source (i.e., Pool, grant, etc.)
11/1/11	WCF shall continue to work with AWI to facilitate review and to obtain approval of its 2011-12 Cost Allocation Plan (CAP). The CAP should reflect current WCF operations and allowable allocation methods to be utilized by WCF in apportionment of its costs across all programs and funding sources. WCF has submitted its draft CAP and as a result of their review, AWI staff have provided feedback and requests for additional information to develop a thorough understanding of WCF proposed methods and practices.
11/1/11	<p>WCF shall develop and implement a personnel activity report (PAR) process for staff to utilize to report activities performed during the payroll period. The PARs shall meet the following criteria:</p> <ul style="list-style-type: none"> • The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. • Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. • The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of

activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

- The reports must be prepared at least monthly and must coincide with one or more pay periods.

Prior to implementation, a description of the PARs process and copies of the template PAR shall be provided to AWI for review. The documentation provided, at a minimum, shall include instructions given to WCF staff for completing the PAR, a listing of activity codes available to each staff, and a description of the funding source(s) for each activity code. Additional information may be requested, as necessary.

Due Date	Action
12/15/11	<p>WCF shall obtain services of an independent, knowledgeable third-party to perform and complete the following:</p> <ul style="list-style-type: none"> • Review WCF's existing policies and procedures for the following areas and develop, as needed, revised documents which ensure appropriate Board oversight, adequate internal controls, and compliance with federal and state compliance requirements: <ul style="list-style-type: none"> ○ Accounting & Reporting - Including, but not limited to, documentation requirements, cost allocation, OSMIS reporting, allowable / unallowable costs, program income, period of availability, equipment / fixed assets, administrative costs under WIA, administrative requirements under A-110, cost principles under A-122, ETA Salary and Bonus Cap, and record retention requirements. ○ Procurement - Including, but not limited to, documentation requirements, prior approval, conflict of interest, lease vs. purchase analysis, cost / price analysis, solicitations, and small purchases. ○ Contracting - Including, but not limited to, delegation of authority / signature authority, documentation requirements, contract execution, contract clauses / provisions, contract types (cost reimbursement, fixed price, etc.), subrecipient vs. vendor determination, conflict of interest, contract administration, and contract close-out activities. ○ Subrecipient Monitoring - Including, but not limited to, documentation requirements, prior approval, ETA Salary and Bonus Cap, cost allocation, period of availability, allowable / unallowable costs, annual subrecipient monitoring plan / activities, A-133 audit reviews / Management Decisions, internal control analysis, and reporting and corrective action procedures. • Review WCF's current organizational structure and prepare recommendations for changes that will provide adequate, effective internal controls to ensure compliance with Board policies and with federal and state requirements. This shall include, but not be limited to, delegation of authority / signature authority at Board and Management levels, legal review of contracts, and

	<p>establishment of an Audit Committee made up of WCF Board members.</p> <ul style="list-style-type: none"> • Develop a training strategy and provide training for staff to ensure updated policies and procedures are communicated. • Develop a strategy for regular review and update of policies and procedures, including obtaining Board approval. <p>Prior to starting the review, the selected firm or provider shall consult with AWI for input on areas of weakness identified.</p>
Weekly	WCF shall provide a written status of all special conditions and restrictions outlined in this letter and participate in a weekly call discussing the status and planned activities. AWI staff will work with WCF to identify an acceptable date and time for the weekly meetings.
Upon completion of recommended policies and procedures	WCF shall obtain Board approval of new policies and procedures.
Within 2 weeks of Board Approval of policies and procedures	WCF shall prepare and conduct training for staff on policies and procedures.

Removal of High Risk Special Conditions and Restrictions (This Section Does Not Apply to the Required Immediate Actions to the Imposed Probation)

Upon completion of all high-risk designation required actions listed above, and after six months of AWI monitoring of the adoption and effective implementation of the new Cost Allocation Plan, policies and procedures, an evaluation will be performed to determine whether the high-risk designation can be removed. Until such time, the above special conditions and restrictions will remain in place. If new issues arise, or other grounds for sanctions are discovered, this high-risk designation does not preclude the imposition of additional sanctions pursuant to WIA Section 184(b), or other appropriate action.

If you have any questions regarding the above information, please contact Kevin Thompson, Director of Administrative Services at (850) 245-7335. Any request for reconsideration of the high-risk special conditions and restrictions listed above shall be in writing, state grounds for reconsideration, and be submitted to Kevin Thompson within 14 days of receipt of this letter. A request for reconsideration does not suspend WCF's obligation to comply with the special conditions imposed herein, without the express written permission of AWI.

Finally, failure to fully and completely comply with the special conditions and restrictions attached to this high-risk designation could lead to more severe sanctions, including, but not limited to, implementing a process for after-the-fact reimbursement of costs or decertification of the Central Florida Regional Workforce Development Board.